

MARTIN MARIETTA MATERIALS INC

Form 425

December 12, 2011

Martin Marietta's
Proposed Combination
with Vulcan Materials
December 12, 2011
FILED

BY
MARTIN
MARIETTA
MATERIALS,
INC.
PURSUANT
TO
RULE
425
UNDER
THE
SECURITIES
ACT
OF
1933
AND
DEEMED
FILED
PURSUANT
TO
RULE
14a-12
UNDER
THE
SECURITIES
EXCHANGE
ACT
OF
1934
SUBJECT
COMPANY:
VULCAN
MATERIALS
COMPANY
COMMISSION
FILE
NO.
001-33841
Rock Solid Fundamentals.
Positioned for the Long Term.

The Martin Marietta and Vulcan Materials Combination:
Background to the Proposal

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Due to the strong industrial logic of a potential combination, Martin Marietta and Vulcan Materials began discussions in 2002

Since these initial discussions, both companies have had periodic conversations, which intensified in early 2010; unfortunately the dialogue has recently broken down

We
continue
to
believe
this
is
a
very
compelling
combination
that
will
create significant value for both sets of shareholders
this is what we will
discuss with you today

As a result, we have decided to involve the stakeholders of both companies so that they can evaluate the strategic and financial merits of a combination

We encourage you to review the Form S-4 filed by Martin Marietta today for the full background on the history of the discussions
MARTIN MARIETTA MATERIALS

Martin Marietta's Strategies for Success

3

Consistent and disciplined execution of
business fundamentals

+

Leverage best-in-class locations and teams

+

Strong distribution network

+

Disciplined expansion

+

Appropriate organic capital investment

+

Committed to returning value to
shareholders

Our strategic principles
have positioned us for this
compelling combination

MARTIN MARIETTA MATERIALS

cost management

financial strength and flexibility

pricing performance

Compelling Combination of Two Highly Complementary
Businesses

4

Vulcan Materials

Nova Scotia

Total Reserves

(billions of tons)

Number of Facilities

Total Reserves

(billions of tons)

Number of Facilities

2010 Shipments

(millions of tons)

2010 Net Sales

(\$mm)

2010 Net Sales

(\$mm)

2010 Shipments

(millions of tons)

Note 1:

As of December 12, 2011.

13.6

1

315

\$1,551

130

14.7

317

\$2,406

148

Bahamas

Yucatan

Peninsula

Bahamas

WA

NV

UT

WY

CO

NE

KS

OK

TX

MN

IA

MO

AR

WI

IN

OH

WV

VA

NC

SC

TN

MS

AL

GA
FL
LA
CA
AZ
TX
LA
AR
MS
AL
GA
FL
TN
SC
NC
VA
KY
IL
WI
PA
Yucatan
Peninsula
Bahamas
MD
MD
DE
MARTIN MARIETTA MATERIALS
MARTIN MARIETTA MATERIALS

Combined Company Will Have the Most Extensive
Aggregates Footprint

5

Combined company has extensive geographic coverage and diversity

States with Martin Marietta locations

States with Vulcan Materials locations

States

with
both
companies
locations

Locations served by Martin Marietta

WA
NV
UT
WY
CO
NE
KS
OK
TX
MN
IA
MO
AR
WI
IN
OH
WV
MD
VA
NC
SC
TN
MS
AL
GA
FL
PA
KY
IL
LA
NM
AZ
CA
DE
Nova Scotia
Bahamas
Yucatan
Peninsula
OR
ID
MT
SD
ND
VT
NY

NH
RI
ME
NJ
MI

Note 1:

Fiscal year 2010 annual shipments measured in millions of short tons and based on publicly available information. Excludes d

Note 2:

Martin Marietta includes shipments from Nova Scotia and the Bahamas which are primarily used to service the U.S.

Note 3:

Vulcan includes shipments from the Yucatán Peninsula and the Bahamas.

Note 4:

Heidelberg reports North American aggregates volumes, which includes production sites in western Canada.

Source:

Company filings

U.S. aggregates producers

(by shipments) ¹

CT

MA

MARTIN MARIETTA MATERIALS

U.S.
Global
6
Aggregates shipments by tonnage
Creates the #1 Aggregates Company in the U.S. and
Globally
Note:

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Fiscal year 2010 annual shipments measured in millions of short tons and based on publicly available information. Excludes d

Note 1:

Vulcan includes shipments from the Yucatán Peninsula and the Bahamas.

Note 2:

Martin Marietta includes shipments from Nova Scotia and the Bahamas which are primarily used to service the U.S.

Note 3:

Heidelberg reports North American aggregates volumes, which includes production sites in Western Canada.

Source:

Company filings

Combination creates the must own

U.S. heavy building materials stock

MARTIN MARIETTA MATERIALS

Significant Shareholder Value Creation
Estimated
\$200 -
\$250 million
in annual synergies
Meaningful dividend
Balance sheet well-

positioned for
cyclical recovery
and growth
Significant
shareholder
value creation
Efficiencies gained
from size and scale
Continued focus on
operational
excellence
Stronger platform
for long-term growth

7

MARTIN MARIETTA MATERIALS

31% Value creation
(~\$1.3 billion)
58% ownership²
Compelling Industrial Logic Drives Value Creation for All
Shareholders
8
Note 1:

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Assumes \$225 million run-rate synergies at estimated cycle-average EBITDA multiple of 10.0x, less \$225 million after-tax cost
Note 2:

Assumes an exchange ratio of 0.50 Martin Marietta shares per Vulcan Materials common share representing 15% and 18% pre
respectively as of December 9, 2011.

Source:

Capital IQ, company filings

Capitalized

synergy

value

represents

23%

29%

of

combined current equity value

20% Value creation

(~\$0.7 billion)

42% ownership²

(\$ in billions)

\$9.8B

Vulcan Materials

Vulcan Materials

Martin Marietta

Synergies¹

Martin Marietta

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Realization of \$200 -
250M in Annual Cost Synergies

9

Improved purchasing efficiencies from greater scale

Goods and services

Distribution network

Realization of cost synergies creates significant shareholder value

\$50

60M

\$50

60M

\$100

130M

Duplicative operating functions

Realigned organizational structure

Management, facility, sales force and production overhead
integration

Duplicative SG&A functions

Management, facility, corporate overhead and information
technology integration

Public company costs

Realization and cost to achieve

Synergies expected to be realized over two to three years

One-time costs to achieve synergies expected to be equal to one
times run-rate synergies

MARTIN MARIETTA MATERIALS

Driven By Demonstrated Cost Management Ability
10
Annual
SG&A
as
a
%

of
Net
Sales
2007

2011
YTD
Annual
SG&A

as
a
%

of
Net
Sales

Martin Marietta: 8.4%
Vulcan Materials: 11.2%

Note 1:

Vulcan s

SG&A excludes R&D expense. Please see SG&A reconciliation in appendix.

Source:

Company filings

Martin Marietta's consistent cost discipline is expected to generate

significant

synergies

when

applied

to

Vulcan

Materials

cost

structure

1

1

MARTIN MARIETTA MATERIALS

MARTIN MARIETTA MATERIALS
Expectation to Pay a Meaningful Dividend
Martin Marietta (\$)
Vulcan Materials (\$)
11
Vulcan
Materials

recently cut
its quarterly
dividend to
\$0.01
per share

Vulcan Materials

shareholders will receive Martin Marietta's \$1.60 per share
annual dividend which translates to \$0.80 per Vulcan Materials share based
on proposed exchange ratio

Dividend paid per share

0.86

1.01

1.24

1.49

1.60

1.60

1.60

2005

2006

2007

2008

2009

2010

Q4 11E

Annualized

1.16

1.48

1.84

1.96

1.48

1.00

0.04

1

2005

2006

2007

2008

2009

2010

Q4 11E

Annualized

Note:

Q4 2011E represents the expected annualized dividend.

Note 1: Reflects Vulcan Materials' October 14, 2011 announcement to cut its quarterly dividend to \$0.01.

Source: Company filings

Balance Sheet Well-Positioned for Cyclical Recovery and
Growth

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Note 1:

Combined financials exclude fees and expenses associated with proposed combination.

Note 2:

Please see reconciliation of EBITDA in the appendix.

Note 3:

Assumes annual synergies of \$200-250 million, attributable to cost savings related to SG&A, duplicative operating functions, and purchasing economies of scale. Excludes divestitures.

Note 4:

Assumes combined company refinances \$100 million securitization facility due 2012 and the refinancing of both companies

credit facilities

Source:

Company filings

9/30/2011

(\$ millions)

Martin

Marietta

Vulcan

Materials

Combined

1

Cash

\$57

\$152

\$209

Debt

\$1,045

\$2,821

\$3,867

LTM Adj.

EBITDA

\$350

\$301

\$851-\$901

3

Total Debt/

LTM Adj.

EBITDA

3.0x

9.4x

4.5x

4.3x

Net Debt/

LTM Adj.

EBITDA

2.8x

8.9x

4.3x -

4.1x

Our balance sheet will have

Sufficient liquidity

No maintenance-based

covenants

Minimal near-term

maturities

Combined near term

maturity schedule

4

Vulcan Materials debt

2

2

2

\$135

\$140

2012

2013

2014

\$0

MARTIN MARIETTA MATERIALS

The Combination Provides Significant Scale Advantages

13

Note:

As of September 30, 2011 unless otherwise noted.

Note 1:

Assumes annual run-rate cost synergies of \$200-250 million, attributable to cost savings related to SG&A, duplicative operating and purchasing economies of scale. Excludes divestitures.

Note 2:

Tonnages of reserves as of December 31, 2010.

Note 3:

Martin Marietta's facilities as of December 12, 2011.

Note 4:

Please see reconciliation of EBITDA in the appendix.

Source:

Company filings

Martin

Marietta

Vulcan

Materials

Combined

1

Total Reserves

2

(billions of tons)

13.6

14.7

28.3

Number of Facilities

3

315

317

632

Number of

States Served

29

19

35

LTM Net Sales

(\$ in millions)

\$1,566

\$2,378

\$3,943

LTM Adj. EBITDA

4

(\$ in millions)

\$350

\$301

\$851

\$901

MARTIN MARIETTA MATERIALS

Focus on Operational Excellence

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Note 1:

Martin Marietta's SG&A includes R&D expenses for comparative purposes.

Note 2:

Please see EBIT reconciliation in appendix.

Note 3:

Net income excludes discontinued operations.

Note 4:

Calculated as Net Income over average shareholder's book value of equity in the period.

Note 5:

Comparable S&P returns were 32% over the last ten years. Total Returns incorporates the stock price appreciation and the value of dividends

paid,

which

are

assumed

to

be

reinvested

in

the

stock.

As

of

12/09/2011.

Source:

Company filings; Bloomberg

MARTIN MARIETTA MATERIALS

Provides an Enhanced Platform For Long-Term Growth

U.S. aggregates estimated market share

15

~15% combined

market share

Note:

Market share as of December 31, 2010.

Note 1:

Based on U.S. aggregates shipments. Excludes divestitures.

Note 2:

Vulcan includes shipments from the Yucatán Peninsula and the Bahamas.

Note 3:

Martin Marietta includes shipments from Nova Scotia and the Bahamas which are primarily used to service the U.S.

Note 4:

Heidelberg reports North American aggregates volumes, which includes production sites in western Canada.

Source:

Company filings, USGS

2

3

4

MARTIN MARIETTA MATERIALS

Vulcan Materials 7%

Martin Marietta 7%

CRH 6%

HeidelbergCement

6%

Lafarge 3%

Cemex 2%

Others 69%

1

Enhanced future growth opportunities in a fragmented market

Key Terms of the Proposed Transaction

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Consideration

Stock-for-stock,

tax free exchange of 0.50 Martin Marietta

shares of common stock for each Vulcan Materials share of
common stock